

CITY OF FARLEY
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015

**CITY OF FARLEY
FARLEY, IOWA**

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**CITY OF FARLEY
FARLEY, IOWA**

OFFICIALS

Name	Title	Term Expires
Jay Hefel	Mayor	January 2018
Joyce Jarding	Mayor Pro Tem/Council Member	January 2018
Marty Benda	Council Member	January 2016
David Kluesner	Council Member	January 2016
Jason Norton	Council Member	January 2016
Justin Philipp	Council Member	January 2018
Ashley Jasper	City Clerk	Indefinite
Luke Guthrie	City Attorney	Indefinite

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**INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To the Honorable Mayor and
Members of the City Council

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Farley for the period July 1, 2014 through June 30, 2015. The City of Farley's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

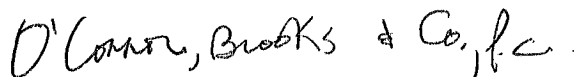
Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Farley, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Farley and other parties to whom the City of Farley may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Farley during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

A handwritten signature in cursive script that reads "O'Connor, Brooks & Co., P.C.".

Dubuque, Iowa
October 21, 2015

DETAILED RECOMMENDATIONS

**CITY OF FARLEY
FARLEY, IOWA**

DETAILED RECOMMENDATIONS

For the Period July 1, 2014 through June 30, 2015

- A. Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. It was noted that two employees perform most duties over the areas of cash, receipts, disbursements, payroll, utility billing, and financial reporting for the City.

In addition, the Farley Volunteer Fire Department and Farley Emergency Medical Services, Inc. each have one individual who performs most duties over the areas of cash, receipts and disbursements.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, each entity should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- B. Separately Maintained Records - The City of Farley Voluntary Fire Department and Emergency Medical Service, maintain separate accounting records for certain operations. These transactions and resulting balances are not included in the City's accounting records.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis.

- C. Bank Reconciliations - Although monthly reconciliations of book and bank balances are prepared, there is no evidence of independent review.

Recommendation - To improve financial accountability and control, there should be an independent review of the monthly reconciliation of the book and bank balances. Also, this review should be signed or initialed and dated by the individual performing this review.

- D. Disbursements - During our test of disbursements, we noted one instance where an image of the cancelled check was not available. There were also two disbursements that were not published.

**CITY OF FARLEY
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DETAILED RECOMMENDATIONS

For the Period July 1, 2014 through June 30, 2015

Recommendation – Check images should be retained for all disbursements. Also, the City Clerk should compare the published list of expenditures to the check register to verify all are properly published.

- E. Financial Condition – At June 30, 2015, the City had a deficit balance of \$36,816 in the Debt Service Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit to return the fund to a sound financial position.

- F. Fund Transfers – The resolution adopted authorizing fund transfers did not agree with the amounts actually transferred.

Recommendation - The City should verify the transfers made agree with resolution.

- G. Financial Information – The City Clerk's report provided to the City Council includes fund transfers with revenues and disbursements.

Recommendation - The Clerk's Report is required to show receipts, disbursements and transfers and balances for each fund. This report should be modified to separate transfers from revenues and disbursements.

- H. Business Transactions - Business transactions between the City and City officials or employees which may represent conflicts of interest are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Prairie Road Builders, owned by son of Council Member	Street repairs	\$ 46,129
Kluesner Construction, owned by son of Council Member	Street repairs and maintenance	15,240
Tyler Hefel, son of Mayor	Various services	931
Erin Norton, daughter of Council Member	Various services	61

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For the Period July 1, 2014 through June 30, 2015

In accordance with Chapter 362.5(k) of the Code of Iowa, the transactions with Prairie Road Builders and Kluesner Construction may represent conflicts of interest since the total amount for the entities exceeded \$2,500 during the fiscal year and were not entered into through competitive bidding. The other transactions do not appear to represent conflicts of interest since the transactions with each individual were less than \$2,500 during the fiscal year.

Recommendation - The City should consult legal counsel to determine the disposition of this matter.

- I. Farley Commercial Club Donation - The City donated \$10,000 to this private organization during the year without adequate oversight provisions. Past opinions of the Iowa Attorney General's office have consistently concluded that a City may not donate public funds to a private entity.

Recommendation - The City should consult legal counsel to determine the proper disposition of this matter.